
**Minutes of a Link Scheme Holdings Ltd (the “Company”) Board Meeting
held on Thursday 5th October 2017**

Present:

Sir Mark Boleat - Chairman
Tracey Graham
John Howells
Lord David Hunt
Liz Richards
Adrian Roberts
Jonathan Simpson-Dent (by phone)
Fiona Walmsley

Apologies:

None

In Attendance:

Mary Buffee – LINK Scheme Executive
Mike Knight – The FDCentre
Sue Wallace – LINK Scheme Executive

1. Welcome and Conflict of Interest Declarations

The Chairman welcomed the Directors to the meeting. He highlighted some of the big issues on the agenda:

- The systemic risk management review by Promontory which was now underway.
- The Scheme’s governance changes.
- The review of risk, including the internal audit reports.
- The mandated tender (redacted under confidential grounds)
- The status on interchange, noting that the issue was expected to come back to the Board very soon.

The Chairman reminded the Directors of their obligations under the Companies Act 2006 and the Articles of Association of the Company to declare the nature and extent of their interests (whether direct or indirect) in a situation in which he/she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company.

As required by section 175 of the Act and the Articles, Adrian Roberts, Jonathan Simpson-Dent and Fiona Walmsley (each a Member Director, and together the Member Directors) confirmed and declared the nature and extent of his/her interest (whether direct or indirect) in accordance with section 175 of the Act and the Articles (the Conflicted Directors). In particular:

- (ii) Adrian Roberts declared his existing relationship with Bank of Ireland, being a Network Member and a shareholder of Vocalink.

- (iii) Jonathan Simpson-Dent declared his existing relationship with Cardtronics, being a Network Member.
- (iv) Fiona Walmsley declared her existing relationship with RBS, being a Network Member and a shareholder of Vocalink.

Lord Hunt declared his interest as a Partner of DAC Beachcroft LLP.

2. Minutes of the Previous Board Meeting and Matters Arising

The Chairman stated that the minutes of the meeting on 7th September 2017 had already been approved.

All actions from the previous meetings of the Company have been completed or were on the agenda for this or future meetings.

There were no matters arising.

3. Committee Meeting Minutes

(i) *Consumer Council*

It was noted that the minutes of the LINK Consumer Council meeting held on 7th September 2017 had been circulated. A verbal update had been provided by the Consumer Council Chairman at the previous Board meeting.

(ii) *Audit Committee*

The minutes of the Audit Committee had also been circulated. The Board was provided with a brief verbal update by Adrian Roberts, who had chaired the meeting on behalf of the Audit Committee Chairman.

(iii) *Remuneration Committee*

Lord David Hunt (Remuneration Committee Chairman) informed the Board that the Remuneration Committee had met immediately prior to the Board Meeting and had been quorate. He summarised the recommendations of the Remuneration Committee which the Board duly considered and approved as follows:

- That Sir Mark Boleat is invited to become a member of the Remuneration Committee.
- (Redacted under confidential grounds)
- That the approach to determining the CEO's compensation will be as outlined to the Board, ie it would be recommended by the Chairman following his review of the CEO's performance within the next month.

The Remuneration Committee Chairman informed the Board that at the Board Meeting on 2nd November 2017 it would be asked to consider and approve recommendations for the 2017 bonus and 2018 salary for the CEO. **ACTION : REMUNERATION COMMITTEE CHAIRMAN**

4. CEO's Report

The CEO Report was taken as read.

(This discussion has been redacted under confidential grounds.)

5. Next Steps on Interchange, including Approach to Next Year's Cost Study Engagement

(This discussion has been redacted under confidential grounds.)

6. Update on Progress with Implementing the Bank of England's Governance Code of Practice Changes

The Board was updated on the proposed plan for approval of the changes required to implement the Bank of England's Governance Code of Practice.

The changes are to be presented to the Board on or around the 20th October 2017 for its email approval by 27th October 2017. They will then be issued to Network Members for email vote on or around the 3rd November 2017 for approval on or around the 20th November 2017. **ACTION : CEO**

7. Update on Progress Against the Bank's Priorities, including an Update on the Systemic Risk Management Strategy Review

The Board was provided with an update on progress with meeting the Bank's Priorities and informed that the activities were on track as follows:

(i) Systemic risk management strategy review

The Bank has given its formal approval to the contract with Promontory for development of a systemic risk management strategy, which was duly signed by the CEO and Chairman. Formal engagement has therefore commenced and stakeholder meetings have been held or scheduled with the Bank, the Chairman, Directors, LINK Scheme Executive and several Network Members. The Bank requires its draft report by 15th December 2017 and its final report by 31st December 2017.

(ii) Board effectiveness is not yet demonstrated

See item 6 above. On track to meet the requirements of the Code by the Bank's deadline.

(iii) Interchange and recovery and orderly wind-down

The Recovery and Wind-Down Plan was approved by the Board and submitted to the Bank on plan and as required at the end of July 2017.

(iv) Risk management controls are immature

The implementation plan for each of the items required was submitted to the Bank on plan and as required at the end of August 2017.

(v) Disaster Recovery

The Business Continuity Management Policy, Business Continuity and Disaster Recovery Plan and BC & DR Plan Annex A were approved by the Board and submitted to the Bank on plan and as required at the end of July 2017.

The Board noted the progress that had been made in each area and also that the Bank had raised no concerns in their Q3 Stakeholder meeting with the CEO. (Part of this discussion has been redacted under confidential grounds.)

8. Members' Feedback on the Mandated Tender and Progress with Starting a Tender

(This discussion has been redacted under confidential grounds.)

9. Innovation and Proposed Use of the Development Fund

The Board reviewed the paper on the proposed use of the Innovation Fund.

The Board agreed that:

- The Fund will be used to secure senior innovation resource, and to design and pilot innovations relating to enhancing financial inclusion.
- The work will be supported by the LINK Consumer Council, and with oversight from the Board.
- Spend will be on senior innovation leadership resource, pilot design/run/evaluation, and rollout design and planning including business case development
- Draw-down is likely to be in four tranches of £500k each, starting in Q4 2017.

The Board noted that the Consumer Council is enthusiastic about the proposals and that the Monitoring Trustee, Smith and Williamson, is happy to discuss this approach and consider a formal submission.

The Board delegated development of the formal submission to the LINK Scheme Executive with oversight from Tracey Graham. The proposal for the drawdown of the first £500k will be brought to the 2nd November 2017 Board Meeting for approval. **ACTION: CEO/TRACEY GRAHAM**

The Board noted that no funds will be committed until approval has been gained from the Monitoring Trustee and further Board agreement have been obtained.

10. Review Internal Audit Report on Risk Management

The Board reviewed the Internal Audit Report on Risk Management prepared by BDO which had been presented at the Audit Committee meeting in September 2017.

Having considered its recommendations, the Board duly approved the Report and agreed the management responses.

11. Review Internal Audit on Oversight of Suppliers

The Board reviewed the Internal Audit Report on Outsourcing Arrangements prepared by BDO which had been presented at the Audit Committee meeting in September 2017.

A concern was raised that all the risks were shown as “amber” which did not assist the Board in identifying the risks that it should really be concerned about. This feedback will be provided to BDO. **ACTION : COO.**

The Board also asked to be updated on the area that Vocalink can and cannot outsource.
ACTION : COO

Having considered its recommendations, the Board duly approved the Report and agreed the management responses.

12. Approval of the Appointment of PWC as External Auditor for LSHL

The Board approved the appointment of PWC as External Auditor for LSHL in accordance with the recommendation of the Audit Committee.

13. Approval of Response to PSR Direction 3 on LINK Access and PSR Direction 4 on LINK Governance for Service Users

The Board reviewed, and duly approved, the Scheme's response to the PSR's annual Direction 3 and 4 return on access and governance as presented.

14. Board Update on the Implementation of GDPR

The Board was provided with an overview of the proposed approach to LSHL's review and implementation of the requirements of the new General Data Protection Regulation (GDPR). Future updates will be given via the Risk Management Dashboard included in the Scheme Risk Management section.

The Board noted the approach.

15. Summary of the Board's Visit to the Vocalink North London Site

Further to the verbal update of the Board's visit to the Vocalink North London site which had been given at the September Board meeting, a written report was presented to the Board.

The Board noted the contents of the report and reiterated that it was impressed with the operational set up and the calibre of Vocalink's staff.

16. Scheme Risk Management

The Board was informed about the process followed by the LINK Scheme Executive for reviewing and updating the risks faced by the Scheme. This includes a monthly meeting chaired by the CEO to review the Risk Register and discuss the various mitigation measures.

The Board thoroughly reviewed and discussed the risk position summarised in the Risk Management Dashboard, including the contents of the following reports:

- CEO Overview on Risk Management.
- Risk Summary.
- Risk Register Overview.
- Operational Risk Management.

- Member Risk Management.
- LSHL Cyber Resilience.

It was noted that the critical risks (Supplier contract end point introduces instability, Interchange settlement not sustainable, and Issuer Members move to other Schemes) had already been discussed as separate agenda items.

Directors made robust challenges on individual risks. It was proposed that a review schedule of routine matters (eg operational, financial) should be prepared to ensure all areas were covered in depth at least once a year. A general observation was that the Risk Management Dashboard could be made more dynamic to aid Board understanding of changes since previous reports. **ACTION : CEO/COO**

17. Scheme Finances including 2018 Budget Approval

The Board was updated on the Scheme's Finances.

(Part of this discussion has been redacted under confidential grounds.)

18. Arrangements for Board Meetings on 30th November

The Board was advised of the arrangements for the various Board meetings at Harrogate on 30th November 2017. It was noted that the timing of the Audit Committee meeting needed to be clarified and a revised timetable would be distributed to Directors. **ACTION : COO**

19. Noting of any Email Approvals

There were no email approvals for the meeting to note.

20. Any Other Business

(This discussion has been redacted under confidential grounds.)

21. Next Meeting

The next meeting will be held on Thursday 2nd November 2017 at 10.30 am.